

Message Text

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PAGE 01 STATE 089164

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INFO OCT-01 ARA-06 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

LIMITED OFFICIAL USE STATE 089164

E.O. 11652: N/A

TAGS: EFIN

SUBJ: EXIMBANK CREDIT NO. 3338/FINANCIAL GUARANTEE NO. 3339 -
INSTITUTO VENEZOLANA DE PETROQUIMICA

REF: (A) STATE 298141; (B) CARACAS 00607; (C) STATE 021186;
(D) EXIMBANK TELEX OF NOVEMBER 6, 1975 TO IVP; (E) EXIM-
BANK TELEX OF MARCH 31, 1976 TO IVP.

1. AS EMBASSY AWARE, EXIMBANK LEARNED IN AUGUST 1975 THAT INSTITUTO VENEZOLANA DE PETROQUIMICA (IVP) HAD PREPAID DOLS 20,790,000 TO MANUFACTURERS HANOVER TRUST COMPANY ON SEPTEMBER 16, 1974, WITHOUT MAKING A RATABLE PREPAYMENT TO EXIMBANK. THIS VIOLATES ARTICLE V(C)(5) OF THE CREDIT AGREEMENT OF JANUARY 16, 1974, AS AMENDED, BETWEEN EXIMBANK AND IVP. MINISTRY OF FINANCE GUARANTEES TRANSACTION.

2. EXIMBANK HAS SENT A LETTER AND SEVERAL TELEXES TO IVP AND EXIMBANK STAFF MET WITH IVP OFFICIALS ON AUGUST 20, 1975.

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PAGE 02 STATE 089164

EXIMBANK HAS ALSO CONTACTED DR. DELFIN PONCE LUGO, DIRECTOR OF PUBLIC CREDIT, MINISTRY OF FINANCE, AT THE REQUEST

OF IVP, ON NOVEMBER 6, 1975, TO TRY TO RESOLVE THIS PROBLEM.
TO DATE, EXIMBANK HAS NOT HAD A SATISFACTORY RESPONSE AND SENT A
FOLLOW-UP TELEX TO DR. PONCE ON MARCH 31, 1976. (EMBASSY WAS
COPIED.)

3. EXIMBANK HAS INDICATED TO IVP OFFICIALS AND DR. PONCE THAT IVP
HAS ONLY TWO OPTIONS AVAILABLE. UNDER THE TERMS OF CREDIT AGREEMENT,
IVP MUST EITHER (1) PAY EXIMBANK DOLS 20,790,000 IMMEDIATELY OR
(2) REQUIRE MANUFACTURERS HANOVER TRUST COMPANY TO PAY EXIMBANK
DOLS 10,395,000, ONE-HALF OF THE FUNDS RECEIVED AS PREPAYMENT.

4. AT EXIMBANK'S REQUEST, JOHN MILLS, COMMERCIAL OFFICER, HAS
DISCUSSED THIS VIOLATION OF THE CREDIT AGREEMENT WITH VICE
MINISTER OF FINANCE, OBREGON, AND AGAIN WITH DR. PONCE, BUT
TO NO SATISFACTORY CONCLUSION.

5. EXIMBANK IS AWARE OF SUBSTANTIAL AMOUNTS OF POTENTIAL NEW
BUSINESS IN VENEZUELA WHICH COULD INCLUDE SIZEABLE AMOUNTS OF U.S.
EQUIPMENT AND SERVICES. THE TRANSACTIONS (WHOSE FINANCING WOULD
BE GUARANTEED BY THE MINISTRY OF FINANCE) ARE AS FOLLOWS:
AIRCRAFT (\$50 MILLION), POWER PROJECTS (DOLS 150 MILLION),
THE RAILROAD DEVELOPMENT PROGRAM (DOLS 500 MILLION), THE ORINOCO
RIVER RAILROAD BRIDGE (DOLS 140 MILLION) AND THE CARACAS RAPID
TRANSIT SYSTEM (DOLS 150 MILLION).

6. ALTHOUGH EXIMBANK IS INTERESTED IN CONSIDERING PARTICIPATION
IN THE ABOVE MENTIONED PROJECTS AS WELL AS DOING MORE BUSINESS
IN VENEZUELA, CONSIDERATION OF ADDITIONAL CREDITS AT THIS TIME
IS DIFFICULT IN VIEW OF IVP BREACH OF CREDIT AGREEMENT AND
GOV'S SEEMING INDIFFERENCE TO THIS SERIOUS PROBLEM.

7. EXIMBANK REQUESTS THAT AMBASSADOR PERSONALLY SPEAK WITH
MINISTER OF FINANCE AND CONVEY TO HIM EXIMBANK'S SERIOUS CONCERN
REGARDING IVP BREACH OF CREDIT AGREEMENT AND URGE THAT THIS
VIOLATION BE RESOLVED AS SOON AS POSSIBLE. KISSINGER

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